

MARION COUNTY CONSERVATION DISTRICT
Marion, Kansas

FINANCIAL STATEMENT WITH
INDEPENDENT AUDITOR'S REPORT

Year the Year Ended December 31, 2014

Anderson Reichert & Anderson LLC
Certified Public Accountants
Osborne, Kansas

MARION COUNTY CONSERVATION DISTRICT
Marion, Kansas

Financial Statement with Independent Auditor's Report
For the Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Marion County Conservation District
Marion, Kansas

We have audited the accompanying statement of regulatory basis cash receipts, cash disbursements, and cash balance of the Marion County Conservation District, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Marion County Conservation District to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Marion County Conservation District as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Marion County Conservation District as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

November 30, 2015
Osborne, KS


Anderson Reichert & Anderson LLC
Certified Public Accountants

MARION COUNTY CONSERVATION DISTRICT
Statement of Cash Receipts, Cash Disbursements, and Cash Balance - Regulatory Basis
For the Year Ended December 31, 2014

	Operations Fund	Business Fund	Total
Beginning Cash Balance, January 1	\$ 59,807	\$ 267,496	\$ 327,303
Cash Receipts:			
Appropriations - State	22,211	-	22,211
Appropriations - County	28,790	-	28,790
Cost share program & WRAPS	2,500	247,320	249,820
Equipment rental	-	10,468	10,468
Retail sales & services	61	25,801	25,862
Interest	8	568	576
Contributions and other	5	769	774
Transfers from other funds	2,500	-	2,500
Total Cash Receipts	<u>56,075</u>	<u>284,926</u>	<u>341,001</u>
Total Available Cash	115,882	552,422	668,304
Cash Disbursements:			
Salaries & payroll taxes	26,182	-	26,182
Employee benefits	8,429	-	8,429
Travel expense	45	321	366
Equipment & building maintenance	3,177	305	3,482
Information & education	2,898	4,215	7,113
Other administrative expenses	6,008	7,328	13,336
Goods for resale	-	32,082	32,082
Miscellaneous	4,380	798	5,178
Cost share program & WRAPS	-	196,154	196,154
Transfers to other funds	-	2,500	2,500
Total Cash Disbursements	<u>51,119</u>	<u>243,703</u>	<u>294,822</u>
Ending Cash Balance, December 31	64,763	308,719	373,482
Outstanding Encumbrances and Accounts Payable, December 31	<u>-</u>	<u>-</u>	<u>-</u>
Ending Unencumbered Cash Balance, December 31	<u>\$ 64,763</u>	<u>\$ 308,719</u>	<u>\$ 373,482</u>
Composition of Cash:			
Checking Accounts	64,763	181,789	246,552
Certificates of Deposit	<u>-</u>	<u>126,930</u>	<u>126,930</u>
Total Cash	<u>\$ 64,763</u>	<u>\$ 308,719</u>	<u>\$ 373,482</u>

The notes to the financial statement are an integral part of this statement.

MARION COUNTY CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENT
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The Marion County Conservation District is a Kansas municipality organized for the purpose of providing products and services related to soil and water conservation to the citizens of Marion County, Kansas.

Fund Descriptions

For the purpose of this report, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and time deposits, together with all related liabilities and/or encumbrances for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Regulatory Basis Fund Types

The following comprises the financial activities of the District for the year ended December 31, 2014:

Operations Fund – used to account for county monies (i.e., general fund and tax levies), state monies (i.e., matching funds) and other receipts not accounted for in another fund.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services

Basis of Accounting

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in

the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statement.

Reimbursements

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis of accounting.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half on May 10th. Major tax distributions are made in the months of December through July and are recognized as revenue in the year received.

NOTE 2 – BUDGETARY INFORMATION

The budget law (K.S.A. 79-2925) applies to each taxing subdivision or municipality. A taxing subdivision is authorized by law to levy taxes and use the money collected for lawful purposes of the subdivision. Since the Marion County Conservation District does not directly levy a tax, it is not subject to the budget law. The budget adopted by the District is a management tool, which is used to establish the District's internal spending limits.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Contrary to the provisions of K.S.A. 10-117 and K.S.A. 79-2934, encumbrance and unencumbered cash records were not maintained.

NOTE 4 – DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on the funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2014.

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Marion County Conservation District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefits pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. KPERS employer rate established by statutes for January 1, 2014 to December 31, 2014 is 8.84%.

Net Pension Liability

The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for

KPERS was \$8,291,794,910. KPERS has determined the District's proportionate share of the net pension liability is \$40,112 as of June 30, 2014. The complete valuation report including all actuarial assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the paragraph above.

NOTE 6 – SUBSEQUENT EVENTS

The Marion County Conservation District's management has evaluated events and transactions through November 30, 2015, the date which the financial statement was available to be issued.

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. Marion County Conservation District's interfund transfers and regulatory authority for the year ended December 31, 2014 were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Business Fund	Operations Fund	K.S.A. 2-1907b	\$2,500